

Message Text

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46

ACTION EB-06

INFO OCT-01 NEA-06 ISO-00 XMB-02 AID-05 SP-02 NSC-07

RSC-01 CIEP-01 TRSE-00 SS-20 STR-01 OMB-01 CEA-01

COME-00 L-01 CIAE-00 INR-05 NSAE-00 DRC-01 /061 W

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R 110706Z OCT 74

FM AMEMBASSY ISLAMABAD

TO SECSTATE WASHDC 7151

INFO AMEMBASSY DACCA

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FROM AMBASSADOR BYROADE

PASS EXIM TREASURY AND AID

E.O. 11652: N/A

TAGS: EFIN, PKBG

SUBJECT: PAKISTAN DEBT

1. PAKISTAN IS FEELING MORE AND MORE PRESSED BY EVENTS WHICH ARE ADVERSELY AFFECTING ITS BALANCE OF PAYMENTS. THE UNITED STATES IS GENERALLY NOT IN A GOOD POSITION TO HELP PAKISTAN DEAL WITH THIS PROBLEM. KEEPING THIS IN MIND I AM FRANKLY VERY CONCERNED WHEN WE TAKE ACTIONS WHICH TAKE THE GLOSS OFF THE FEW CASES WHERE WE ARE ABLE TO BE POSITIVE.

2. ONE CASE IN POINT IS THE APPARENT POSITION OF THE EXPORT IMPORT BANK THAT IT IS NOT BOUND BY THE US ADHERENCE TO THE AGREEMENT THAT RELIEVES PAKISTAN OF THE OBLIGATION TO SERVICE DEBT ARISING FROM "PROJECTS VISIBLY LOCATED IN BANGLADESH." THIS PUTS US IN THE POSITION OF GOING TO THE GOVERNMENT TO ARGUE THAT DEVELOPMENT BANK SUB-PROJECTS LOCATED IN BANGLADESH AND EVEN THE DACCA INTERCONTINENTAL ARE NOT WITHIN THE DEFINITION OF QUOTE PROJECTS VISIBLY LOCATED IN BANGLADESH UNQUOTE IN OUR CONSORTIUM AGREEMENT. I WOULD LIKE

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THIS LOOKED AT AGAIN BECAUSE FROM THIS VANTAGE POINT OUR POSITION

SEEMS ABSURD.

3. THE SECOND CASE IN POINT IS THE CONCLUSION THAT OUR DEBT RESCHEDULING EXERCISE SHOULD BE LIMITED TO QUOTE DEBTS IN DISPUTE UNQUOTE THUS SPREADING THE RELIEF OVER SIX OR MORE YEARS. THE DEBT RENEGOTIATION HAS ALWAYS BEEN INTENDED TO PROVIDE RELIEF FOR A THREE OR FOUR YEAR HUMP AND I HOPE WE CAN TAKE A BROADER VIEW AND FIND A WAY TO BE MORE IN KEEPING WITH THE INTENTIONS OF THE EXERCISE.

4. I WOULD APPRECIATE POLICY LEVEL REVIEW OF THESE ISSUES IN LIGHT OF OUR BROADER INTERESTS HERE.
BYROADE

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